

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Flint Area Narcotics Group	County Genesee
Fiscal Year End September 30, 2006	Opinion Date January 10, 2007	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>	No items noted for recommendation.		
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Plante & Moran, PLLC		Telephone Number (810)767-5350		
Street Address 111 East Court Street, Suite 1A		City Flint	State MI	Zip 48502
Authorizing CPA Signature 		Printed Name Joseph C. Heffernan		License Number 1101012480

Flint Area Narcotics Group Genesee County, Michigan

**Financial Report
with Supplemental Information
September 30, 2006**

Flint Area Narcotics Group

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Independent Auditor's Report

To the Board of Directors
Flint Area Narcotics Group
Genesee County, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of Flint Area Narcotics Group as of September 30, 2006 and for the year then ended, as listed in the table of contents. These basic financial statements are the responsibility of the management of Flint Area Narcotics Group. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of Flint Area Narcotics Group as of September 30, 2006 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule and note to budgetary comparison schedule, as identified in the table of contents, are not a required part of the financial statements but are supplemental information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the financial statements.

To the Board of Directors
Flint Area Narcotics Group

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2007 on our consideration of Flint Area Narcotics Group's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants, and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Plante & Moran, PLLC

January 10, 2007

Flint Area Narcotics Group

Balance Sheet and Statement of Net Assets September 30, 2006

	Balance Sheet - Modified Accrual Basis	Adjustments	Statement of Net Assets - Full Accrual Basis
Assets			
Cash (Note 3)	\$ 507,162	\$ -	\$ 507,162
Grant receivable	108,192	-	108,192
Vehicles and equipment - Net (Note 4)	-	238,488	238,488
Total assets	<u><u>\$ 615,354</u></u>	238,488	853,842
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 37,425	-	37,425
Nonadjudicated funds (Note 1)	77,762	-	77,762
Grant payable to participating units	110,290	-	110,290
Capital lease payable - Due within one year (Note 5)	-	50,422	50,422
Capital lease payable - Long term (Note 5)	-	128,004	128,004
Total liabilities	225,477	178,426	403,903
Fund Balances - Unreserved			
Designated for operational reserve	20,000	(20,000)	-
Designated for subsequent year's expenditures	69,687	(69,687)	-
Undesignated	300,190	(300,190)	-
Total fund balances	389,877	(389,877)	-
Total liabilities and fund balances	<u><u>\$ 615,354</u></u>		
Net Assets			
Invested in capital assets - Net of related debt		60,062	60,062
Unrestricted		389,877	389,877
Total net assets		<u><u>\$ 449,939</u></u>	<u><u>\$ 449,939</u></u>

Flint Area Narcotics Group

Statement of Revenue, Expenditures, and Changes in Fund Balance and Statement of Activities Year Ended September 30, 2006

	Statement of Revenue, Expenditures, and Changes in Fund Balance - Modified Accrual Basis		Adjustments	Statement of Activities - Full Accrual Basis
Revenue				
Federal grants	\$	562,852	\$ -	\$ 562,852
Local unit dues		262,626	-	262,626
Forfeiture income:				
Federal		-	-	-
State		260,221	-	260,221
Interest		3,460	-	3,460
Other revenue		5,787	-	5,787
Total revenue		1,094,946	-	1,094,946
Other Financing Sources - Capital lease proceeds		105,126	(105,126)	-
Total revenue and other financing sources		1,200,072	(105,126)	1,094,946
Expenditures				
Public safety:				
Grant expenditures - Passthrough to local units		475,000	-	475,000
HIDTA grant expenditures		52,367	-	52,367
HIDTA - DHI grant expenditures		35,485	-	35,485
Vehicle expenses		130,875	(62,559)	68,316
Building lease		60,000	-	60,000
Personnel and related:				
Liaison/Narcotics investigator/Training office		79,620	-	79,620
Bookkeeper - Genesee Township		75,156	-	75,156
Investigative expense		52,772	-	52,772
Forfeiture expense		36,814	-	36,814
Office supplies, insurance, rental, etc.		16,033	-	16,033
Telecommunications		19,927	-	19,927
Professional fees		11,340	-	11,340
Capital outlay		114,414	(111,566)	2,848
Depreciation expense		-	59,700	59,700
Loss on disposal of capital assets		-	11,264	11,264
Interest expense		-	4,117	4,117
Total expenditures		1,159,803	(99,044)	1,060,759
Change in Fund Balance/Net Assets		40,269	(6,082)	34,187
Fund Balance/Net Assets - Beginning of year		349,608	66,144	415,752
Fund Balance/Net Assets - End of year	\$	389,877	\$ 60,062	\$ 449,939

Flint Area Narcotics Group

Notes to Basic Financial Statements September 30, 2006

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Flint Area Narcotics Group ("FANG") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

FANG was formed through an interlocal agreement by several governmental agencies within Genesee County. This multi-jurisdictional task force coordinates the efforts of officers from various local units within the County to work as one team toward the enforcement of narcotic and controlled substance laws in the state of Michigan. FANG is governed by a board of directors, which consists of the administrative heads, or their representatives, of the participating entities contributing law enforcement personnel to FANG, or meeting obligations of a participating entity as established in the bylaws. FANG is in the process of determining whether or not it is a separate legal or administrative entity.

The activities of FANG are funded by available grant monies, forfeiture income obtained through legal court orders, as well as dues received from the local units. In lieu of dues, the City of Flint has agreed to provide FANG with two officers and the related necessary equipment.

As required by accounting principles generally accepted in the United States of America, these financial statements present Flint Area Narcotics Group. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

Government-wide and Fund Financial Statements

Currently, FANG has only one fund, the General Fund. This fund accounts for the ordinary activities of FANG. General Fund activities are financed by revenue from grants, forfeitures, local unit dues, and other sources. As discussed below, the fund is accounted for on the modified accrual basis of accounting. These financial statements also present FANG's financial activity on a full accrual, government-wide basis.

Flint Area Narcotics Group

Notes to Basic Financial Statements September 30, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The General Fund is reported on the balance sheet and statement of revenue, expenditures, and changes in fund balance using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, FANG considers revenues to be available if they are collected within 75 days of the end of the current fiscal period. Federal grant revenue meets the availability criterion. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payment is due.

The statement of net assets and the statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Capital Assets - Capital assets are reported in the government-wide statements. Capital assets are defined by FANG as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Vehicles	5 years
Equipment	5 years

Flint Area Narcotics Group

Notes to Basic Financial Statements September 30, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave) - All employees who provide service to FANG are employed by the individual participating governmental agency. All vacation or sick time is accrued and paid by the individual governmental agency. As a result, there is no additional liability to be reported in these financial statements.

Long-term Obligations - In the government-wide financial statements, long-term obligations are reported as liabilities. In the fund financial statements, the issuance of debt is reported as other financing sources.

Fund Equity - The General Fund reports designations of fund balance to represent tentative management plans for use of fund balance.

Nonadjudicated Funds - FANG seizes cash and property through its drug enforcement efforts. Until such time that the confiscated cash is legally forfeited or refunded (adjudicated), an amount representing the cash seizure is recorded as a liability. If funds are legally forfeited to FANG, the amounts are recognized as revenue. Amounts remaining at year end in the nonadjudicated funds liability represent confiscated cash that has not yet been legally forfeited to FANG or returned to defendants.

Forfeited Property - As of September 30, 2006, FANG had acquired legal title to various properties through forfeiture. This property is not recorded in the financial statements since no objective basis of valuation has been determined and the property does not represent a spendable financial resource. If and when that property is sold at an auction, the proceeds from the sale are recorded as revenues.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Flint Area Narcotics Group

Notes to Basic Financial Statements September 30, 2006

Note 2 - Reconciliation of Government-wide and Fund Financial Statements

Net assets reported on the government-wide financial statements differs from fund balance reported on the fund financial statements since capital assets with a net book value of \$238,488 and capital leases with a balance of \$178,426 were recorded under the full accrual basis on the government-wide financial statements. The increase in net assets reported on the government-wide financial statements differs from the increase in fund balance reported on the fund financial statements since depreciation expense in the amount of \$59,700 was recorded on the government-wide financial statements. On the fund-based financial statements, capital outlay is expensed in the year of purchase. This resulted in \$6,440 of additional expense on the fund-based financial statements. In addition, principal payments on the capital leases in the amount of \$58,442 were expensed on the fund-based financial statements. On the government-wide financial statements, these payments reduce the capital lease liability. Also, capital assets with a net book value of \$11,264 were disposed of during the year. This resulted in a loss on disposal of capital assets on the government-wide financial statements.

Note 3 - Deposits and Investments

FANG's deposits are included on the balance sheet as cash. These amounts are classified by Governmental Accounting Standards Board Statement No. 3 in the following categories:

Bank deposits (checking accounts and savings accounts)	\$ 487,162
Petty cash or cash on hand	<u>20,000</u>
Total	<u>\$ 507,162</u>

Deposits

FANG's deposits are held in separate accounts in the name of the Charter Township of Genesee. The deposits are reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$893,651. The federal depository insurance coverage pertains to all the deposits of the Charter Township of Genesee; hence, the specific coverage pertaining to FANG's deposits, if any, is not determinable.

Flint Area Narcotics Group

Notes to Basic Financial Statements September 30, 2006

Note 3 - Deposits and Investments (Continued)

Investments

FANG is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, and investment pools that are composed of authorized investment vehicles.

FANG held no investments as of September 30, 2006.

Note 4 - Capital Assets

FANG's capital asset activity was as follows:

	Beginning of Year	Additions	Disposals	End of Year
Cost:				
Vehicles	\$ 335,893	\$ 105,126	\$ (30,036)	\$ 410,983
Equipment	<u>204,854</u>	<u>6,440</u>	<u>-</u>	<u>211,294</u>
Total	540,747	111,566	(30,036)	622,277
Accumulated depreciation:				
Vehicles	187,997	47,655	(18,772)	216,880
Equipment	<u>154,864</u>	<u>12,045</u>	<u>-</u>	<u>166,909</u>
Total	<u>342,861</u>	<u>59,700</u>	<u>(18,772)</u>	<u>383,789</u>
Net book value	<u>\$ 197,886</u>	<u>\$ 51,866</u>	<u>\$ (11,264)</u>	<u>\$ 238,488</u>

Flint Area Narcotics Group

Notes to Basic Financial Statements September 30, 2006

Note 5 - Capital Leases

FANG has entered into a lease agreement as lessee for financing the purchase of police vehicles. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value are as follows:

<u>Years Ending September 30</u>	<u>Amount</u>
2007	\$ 55,049
2008	45,335
2009	42,906
2010	29,144
2011	<u>17,001</u>
Total minimum lease payments	189,435
Less amount representing interest	<u>(11,009)</u>
Present value	<u>\$ 178,426</u>

Long-term debt activity can be summarized as follows:

Balance - Beginning of year	\$ 131,742
Current year additions	105,126
Current year reductions	<u>(58,442)</u>
Balance - End of year	<u>\$ 178,426</u>

Note 6 - Risk Management

FANG has purchased general liability insurance for claims relating to the leased facility. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. Each participating unit that provides personnel to FANG maintains responsibility for workers' compensation and general liability related to their respective employees. In addition, vehicle insurance is maintained by the State of Michigan for the leased vehicles used by FANG.

Required Supplemental Information

Flint Area Narcotics Group

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended September 30, 2006

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenue				
Local unit dues	\$ 286,131	\$ 286,131	\$ 262,626	\$ (23,505)
Restitution	-	-	587	587
Forfeitures	75,000	75,000	260,221	185,221
Administrative fees	-	-	5,200	5,200
Interest	4,500	4,500	3,460	(1,040)
Total revenue	365,631	365,631	532,094	166,463
Expenditures				
Audit bookkeeping	10,000	10,000	11,340	1,340
Building insurance	875	875	1,000	125
Building maintenance	5,650	5,650	3,928	(1,722)
Building rental	60,000	60,000	60,000	-
Consultant wages	87,360	87,360	79,620	(7,740)
Equipment maintenance	1,000	1,000	609	(391)
Equipment purchases	4,000	4,000	8,679	4,679
Forfeiture expense	5,000	5,000	36,814	31,814
Genesee Township	76,250	76,250	75,156	(1,094)
Insurance - Surveillance van	1,000	1,000	547	(453)
Investigation expense	40,000	40,000	52,772	12,772
Miscellaneous expense	740	740	1,218	478
Motor pool charges	136,000	136,000	130,875	(5,125)
Office supplies	3,250	3,250	4,165	915
Pagers	360	360	220	(140)
Postage	700	700	562	(138)
Security service (alarm)	400	400	419	19
Service charge	240	240	306	66
Telecommunications	20,000	20,000	19,927	(73)
Training	3,500	3,500	3,668	168
Total expenditures	456,325	456,325	491,825	35,500
Excess of Revenue Over (Under) Expenditures	(90,694)	(90,694)	40,269	130,963
Fund Balance - Beginning of year	349,608	349,608	349,608	-
Fund Balance - End of year	\$ 258,914	\$ 258,914	\$ 389,877	\$ 130,963

Flint Area Narcotics Group

Note to Budgetary Comparison Schedule - General Fund Year Ended September 30, 2006

The annual budget was prepared by the FANG section commander and adopted by the board of directors. Subsequent amendments (if any) are approved by the board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at September 30, 2006 has not been calculated. During the current year, the budget was not amended.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America except that expenditures that are covered by grants are budgeted net of the corresponding reimbursement and other financing sources such as capital lease proceeds are not budgeted.

Following is a reconciliation of the budget statement to the operating statement (statement of revenue, expenditures, and changes in fund balance - General Fund):

	General Fund	
	Total Revenue	Total Expenditures
Amounts per operating statement	\$ 1,200,072	\$ 1,159,803
Grant revenue and expenditures budgeted - Net	(562,852)	(562,852)
Capital lease proceeds and uses	<u>(105,126)</u>	<u>(105,126)</u>
Amounts per budget statement	<u>\$ 532,094</u>	<u>\$ 491,825</u>

The budget has been adopted on a total activity level basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. Additional detail is presented for analysis only. A comparison of actual results of operations to the General Fund budget as adopted by the board is included in the required supplemental information.

Flint Area Narcotics Group

**Federal Awards
Supplemental Information
September 30, 2006**

Flint Area Narcotics Group

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Independent Auditor's Report

To the Board of Directors
Flint Area Narcotics Group

We have audited the financial statements of the governmental activities and the major fund of the Flint Area Narcotics Group for the year ended September 30, 2006 and have issued our report thereon dated January 10, 2007. Those financial statements are the responsibility of the management of the Flint Area Narcotics Group. Our responsibility was to express an opinion on those financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Flint Area Narcotics Group taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Plante & Moran, PLLC

January 10, 2007



Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Flint Area Narcotics Group

We have audited the financial statements of the Flint Area Narcotics Group as of and for the year ended September 30, 2006 and have issued our report thereon dated January 10, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Flint Area Narcotics Group's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Flint Area Narcotics Group's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Directors
Flint Area Narcotics Group

This report is intended solely for the information and use of the board of directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

January 10, 2007



Report on Compliance with Requirements Applicable to
Each Major Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133

To the Board of Directors
Flint Area Narcotics Group

Compliance

We have audited the compliance of the Flint Area Narcotics Group with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended September 30, 2006. The major federal program of the Flint Area Narcotics Group is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Flint Area Narcotics Group's management. Our responsibility is to express an opinion on the Flint Area Narcotics Group's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Flint Area Narcotics Group's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Flint Area Narcotics Group's compliance with those requirements.

In our opinion, the Flint Area Narcotics Group complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2006. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as items finding 06-01.

To the Board of Directors
Flint Area Narcotics Group

Internal Control Over Compliance

The management of the Flint Area Narcotics Group is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Flint Area Narcotics Group's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Flint Area Narcotics Group's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item finding 06-01.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of the board of directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

January 10, 2007

Flint Area Narcotics Group

Schedule of Expenditures of Federal Awards Year Ended September 30, 2006

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity		Federal Expenditures
		Project/Grant Number	Award Amount	
U.S. Department of Justice - Passed through the Michigan Department of Community Health and the Charter Township of Genesee - Byrne Formula Grant 70983-5-06-B	16.738	2004DBBX0052	\$ 475,000	\$ 475,000
U.S. Office of National Drug Control Policy:				
Passed through the Charter Township of Redford:				
High Intensity Drug Trafficking Area (HIDTA)	07.unknown	15PSMP502Z	45,000	44,143
High Intensity Drug Trafficking Area - Domestic Highway Interdiction (HIDTA - DHI)	07.unknown	Unknown	29,009	29,009
Passed through the Charter Township of Genesee:				
High Intensity Drug Trafficking Area (HIDTA)	07.unknown	Unknown	45,000	8,224
High Intensity Drug Trafficking Area - Domestic Highway Interdiction (HIDTA - DHI)	07.unknown	Unknown	6,476	<u>6,476</u>
Total U.S. Office of National Drug Control Policy				<u>87,852</u>
Total federal awards				<u><u>\$ 562,852</u></u>

Flint Area Narcotics Group

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2006

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Flint Area Narcotics Group and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule of expenditures of federal awards, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Byrne Formula Grant 70983-5-06-B	16.738	\$ 475,000
High Intensity Drug Trafficking Area Grant	07.unknown	52,367
High Intensity Drug Trafficking Area - Domestic Highway Interdiction Grant	07.unknown	35,485

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Schedule of Findings and Questioned Costs Year Ended September 30, 2006

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? X Yes _____ None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? X Yes _____ No

Identification of major program(s):

CFDA Number	Name of Federal Program or Cluster
16.738	Byrne Formula Grant 70983-5-06-B

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ Yes X No

Flint Area Narcotics Group

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2006

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

Reference Number	Findings
06-01	<p>Program Name - Byrne Formula Grant, CFDA #16.738</p> <p>Pass-through Entity - Charter Township of Genesee</p> <p>Finding Type - Immaterial noncompliance/Reportable condition</p> <p>Criteria - Grantees are required to perform subrecipient monitoring. Such monitoring includes making subrecipients aware of the award information and requirements imposed by laws, regulations, and the provisions of the contract or grant agreement. In addition, grantees are required to monitor subrecipient activities to ascertain that the subrecipient activities are allowable under the grant and are administered in compliance with federal requirements.</p> <p>Condition - While the grantee did have subcontract agreements with all of its subrecipients, very limited monitoring of subrecipients took place during the year.</p> <p>Questioned Costs - None</p> <p>Context - All amounts spent under the Byrne Formula Grant are given to subrecipients; therefore, monitoring should be a significant part of their controls. Currently, the grantee receives reimbursement requests from the subrecipients and reviews them but does not agree the requests to source documents such as timesheets and pay-rate authorizations.</p> <p>Cause and Effect - A system of subrecipient monitoring has never been established.</p>

Flint Area Narcotics Group

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2006

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
06-01 (Continued)	Views of Responsible Officials and Planned Corrective Actions - Substantial monitoring of subgrantees has not been implemented since management of the Flint Area Narcotics Group does not believe that it is cost beneficial given limited staff resources. Further, there has been no follow up by the federal agency on this matter from prior year findings. However, management of the Flint Area Narcotics Group has taken steps to obtain copies of officers' timesheets in order to monitor the hours worked under the grant and to agree these to reimbursement requests received.